Supreme Court, U.S.
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No. 02-1765

IN THE

Supreme Court of the United States

GEORGE S. ALLEN,

Petitioner,

v.

HOWMEDICA LEIBINGER, INC.,
HOWMEDICA, INC. and PFIZER INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether a judgment by a panel of the Federal Circuit affirming a district court's summary judgment for Defendants, and an order by the panel and the Federal Circuit *en banc* denying Plaintiff's petition for rehearing, both without dissent, present a compelling reason for further review by this Honorable Court, where: (i) Plaintiff had notice that Defendants denied his accusations of bad faith in their opening brief in support of their motion for summary judgment, and Plaintiff presented his evidence on the issue in his brief opposing summary judgment and in briefing in support of his own cross-motion; (ii) Plaintiff's evidence on the issue of bad faith, an essential element of each of Plaintiff's claims, was insufficient to allow a reasonable jury to find in his favor; and (iii) summary judgment was warranted on alternative grounds that were also raised in the district court and on appeal.

2. Whether the Federal Circuit's judgment of affirmance without opinion and its designation of that ruling and its order denying Plaintiff's petition for rehearing as "non-precedential" violate Plaintiff's Fifth Amendment right to due process and equal protection.

CORPORATE DISCLOSURE STATEMENT

Respondent Howmedica Leibinger, Inc. is a wholly-owned subsidiary of non-party Stryker Corporation. Respondent Howmedica, Inc. (now named MTG Divestitures LLC) is a wholly-owned subsidiary of Warner-Lambert Company LLC, which is in turn a wholly-owned subsidiary of Respondent Pfizer Inc. Pfizer has no parent company and no publicly held company owns ten percent or more of Pfizer's stock.

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STATEMENT OF THE CASE

A. Introduction

This Petition arises from a summary judgment granted by the U.S. District Court for the District of Delaware holding that Plaintiff George S. Allen ("Allen"), Petitioner herein, failed to establish a genuine issue of material fact with respect to Defendants' alleged bad faith, an essential element of each of his claims. On appeal, a Federal Circuit panel affirmed without dissent the grant of summary judgment. The panel and the Court *en banc* then denied Allen's petition for rehearing, also without dissent. Allen offers no compelling reason for further review by this Court.

In his 1998 complaint, as amended, Allen alleged that Defendants Howmedica Leibinger Inc. ("HLI"), Howmedica Inc. ("HI"), and Pfizer Inc. ("Pfizer") (collectively, "Defendants") violated the Federal Lanham Act and Ohio law of tortious interference with prospective business relations and disparagement by making certain marketplace references to their existing U.S. Patent No. 5,394,457 (the '457 patent). Allen claimed that Defendants' marketplace references were false and in bad faith, disparaged Allen's competing technology, and caused a third party, Picker International Inc. ("Picker"), to reduce the price it paid to acquire Allen's competing technology in 1997.

During two and one-half years of discovery and summary judgment briefing, it became clear that Allen's claims were fundamentally flawed in at least four respects. First, Defendants' marketplace references to the '457 patent and their product, which occurred in 1996-1998, were true. At the times such references were made, the '457 patent had been granted, was fully in force, was presumptively valid as a matter of law with respect to each of its twenty-two separate claims, and covered

the referenced product, namely, Defendants' medical device known as an implantable fiducial marker. In arguing that the references were false, Allen relied on (1) foreign patent proceedings under German laws and procedures involving a counterpart patent with fewer claims, and (2) an interference proceeding before the U.S. Patent and Trademark Office ("PTO"), in which Allen contested some, but not all, of the twenty-two claims of the '457 patent. Although the PTO ultimately held the '457 patent invalid in December 2000, after denying Defendants' motion to preserve claims 2-21 thereof by a 2-1 margin, the 1996-1998 patent references could not be rendered false by hindsight, as Allen contended.

Second, Picker did not rely on mere marketplace references to the '457 patent in valuing Allen's competing patent application. Rather, Picker, a sophisticated, billion dollar corporation, negotiated with Allen for approximately one year over its decision to purchase and license Allen's technology at a cost of well over a million dollars. Picker's patent lawyers fully investigated the '457 patent, the foreign proceedings, and the interference, and independently assessed their impact on the value of Allen's competing application.

Third, Defendants' marketplace references to the '457 patent and their own product did not cause Picker to make any decision that damaged Allen. Picker set its purchase price based on its own evaluation of Allen's technology. Picker's later failure to commercialize Allen's technology resulted from a number of factors unrelated to these marketplace references, including production problems, a change in business direction, and a deterioration in its relationship with Allen due to his refusal to settle the interference proceeding on terms that would have allowed Picker to market Allen's technology without concern as to an adverse ruling in the PTO.

And fourth, there was no evidence that Defendants' marketplace references to the '457 patent in 1996-1998 were made in bad faith. There was no evidence that non-party Howmedica Leibinger GmbH ("HLG"), or those assisting it, intentionally failed to disclose any prior art to the PTO in obtaining the patent in early 1995. There was no evidence that Defendants engaged in misconduct in the interference proceeding, begun in June 1996. Until the PTO's divided decision in December 2000, Defendants always believed that at least claims 2-21 of the '457 patent remained valid as a matter of law in part because Allen did not oppose their motion to separate these claims from the subject matter involved in the interference.

In January 2001, Defendants moved for summary judgment on several grounds, including that their marketplace patent references were true, were not relied on or material to Picker, and did not cause Allen damages. While Defendants stated in their opening brief that the district court did not need to resolve the issue of bad faith in order to rule in their favor, they denied therein Allen's accusations of bad faith and explained why they were without merit. In his answering brief, Allen presented his evidence on bad faith as well as on each of the other elements of his causes of action. Allen then filed his own motion for partial summary judgment on his Lanham Act claim and extensively briefed the same alleged evidence of bad faith that he had presented in opposition to Defendants' motion. Thus, the issue of bad faith was joined and fully ventilated in six briefs and thousands of pages of exhibits. The district court ruled in Defendants' favor on the issue of bad faith without reaching the issues of lack of reliance, materiality, or causation of damages.

On appeal to the Federal Circuit, Allen claimed that he did not have notice that the district court might rule against him on the issue of bad faith. Defendants demonstrated that Allen had notice and had presented his evidence on bad faith, and also

that affirmance was warranted on alternative grounds. After briefing and oral argument, the panel issued a judgment of affirmance without opinion under Federal Circuit Rule 36. The panel and the full Court also considered and denied Allen's combined petition for rehearing and rehearing *en banc*.

In his current Petition Allen makes factual claims contrary to the record, speculates as to a possible conflict in the case law where there is no reason to conclude that one exists, and ignores that the judgment of affirmance was "without opinion" in attempting to mount a constitutional due process and equal protection challenge to the practice of issuing non-precedential opinions. As shown below, Allen presents no compelling reason for Supreme Court review. The district court properly utilized summary judgment to resolve this lengthy, meritless contingent fee case. Both a panel of the Federal Circuit, and the Court *en banc*, correctly applied settled law to the facts on record in affirming that disposition without a single dissenting voice. Allen's Petition for a Writ of Certiorari should be denied.

B. The Technology at Issue

In the early 1990's, scientists at non-party HLG in Germany developed an implantable fiducial marker to help surgeons conducting image-guided brain surgery. In 1996, HLI began to distribute HLG's marker in the United States. One drawback to the implantable marker was that it was designed to be screwed into the patient's skull. HLI discovered that surgeons and their patients preferred cheaper, non-invasive adhesive markers that worked just as well as screw-in markers in the vast majority of applications. Over time, non-invasive adhesive markers came to dominate the image-guided surgery market, and implantable markers such as HLG's and Allen's never became big sellers.

At about the same time that HLG developed its implantable marker, scientists at Vanderbilt University, including Allen, working together with scientists at a subsidiary of Johnson & Johnson ("J&J"), developed an image-guided brain surgery system referred to as ACUSTAR®. The ACUSTAR® system also used an implantable marker. In 1996, after spending millions of dollars on fruitless development, J&J abandoned the ACUSTAR® project. After Allen threatened suit, J&J transferred the technology to Allen for free. Allen then shopped it to several prospective purchasers, including Picker.

In September 1997, after investigating Allen's technology and negotiating with him for over a year, Picker acquired Allen's hardware and licensed his technology for a sum in excess of one million dollars plus a royalty on sales. Picker initially attempted to bring Allen's technology to market. However, due to production problems, a change in business direction, and a deterioration in its relationship with Allen, Picker did not commercialize Allen's technology. Picker divested itself of its image-guided surgery business, including Allen's technology, in late 2000.

C. The '457 Patent and the German Counterpart

In 1993, HLG filed an application in the PTO that eventually became the '457 patent covering HLG's implantable marker. The '457 patent was based on an earlier German application that presented only three claims. The '457 patent, as redrafted for United States practice, had twenty-two separate claims.

Under German law, the German application was published in April 1994. Shortly thereafter, a German company initiated opposition proceedings to revoke or cancel the German patent based upon an earlier publication known as Rousseau II. In August 1994, HLG's German law firm received notice of the opposition. The firm brought the opposition to the attention of HLG but neglected to notify the U.S. law firm, Jones, Day,

Reavis & Pogue ("Jones Day"), that was prosecuting the '457 patent in the United States. When the '457 patent issued on February 28, 1995, neither Jones Day nor the PTO had been made aware of the German opposition proceeding or Rousseau II. (Pet. App. 5a-6a). The German firm's failure to forward information to Jones Day or the PTO was simply an unfortunate but innocent omission, as Allen essentially conceded by abandoning any attempt to take substantive discovery of the German firm or HLG.

In an effort to impute wrongdoing to the Defendants, Allen blurs the relationship between non-party HLG and Defendants Pfizer and HLI, and the timing of these early events. Allen claims that Pfizer and "Leibinger" (which Allen broadly defines to include non-party HLG) obtained the '457 patent in 1995 and that Pfizer and "Leibinger" knew of the defects in "their patent" since 1994. (Pet. 5). However, Pfizer did not acquire HLG and its intellectual property (including the '457 patent) until January 1996, nearly a year after the patent issued in February 1995. Similarly, Allen falsely attributes to HLI knowledge of the German opposition proceeding that was conveyed only to non-party HLG in August 1994. (Pet. at 6-7).[1] There is no evidence that any of Defendants' representatives involved in the 1996 interference proceeding were aware of a problem with the '457 patent until June 1997, when Allen's attorney, who learned about the German opposition proceeding from Picker, confronted Defendants' attorneys with that information. (*See* Sealed Excerpts from Lower Courts' Record ("LCR" at L34-L40).

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1. Allen claims without support that "Leibinger" violated its duty of disclosure under 37 C.F.R. 1.56 to bring the prior art to the attention of the U.S. patent examiner. (Pet. 7). Under 37 C.F.R. 1.56(d), HLG was entitled to rely on its German counsel to forward material information to the PTO without being accused of violating its duty of disclosure.

D. The Interference Proceeding

In October 1995, Allen amended his patent application relating to implantable markers to introduce claim 22 of the '457 patent to provoke an interference between his application and the '457 patent. On June 28, 1996, the PTO declared the interference to decide *inter alia* who had first invented the subject matter of the claims at issue. The interference was hotly contested, with Defendants taking both a defensive position to preserve the '457 patent and, later, an offensive position attacking the patentability of Allen's application.

In October 1996, Defendants sought to protect their patent against Allen's priority contentions by filing a preliminary motion to redefine the interference. The motion asked the PTO to designate claims 2-21 of the '457 patent as separately patentable and not corresponding to the subject matter of the interference. Allen *did not oppose* this motion. Thus, throughout the interference, Defendants always believed that the '457 patent would survive the interference with its claims 2 to 21 intact — a point of significance belying Allen's repeated assertions that Defendants "knew" their patent was invalid.

In 1997, after certain prior art came to light, Defendants took an offensive position by demonstrating that Allen's claims were unpatentable. In May 1997, while conducting due diligence in connection with its contemplated licensing of Allen's technology, Picker uncovered the German opposition proceeding, the Rousseau II reference, and a January 1996 ruling revoking the German patent, which was on appeal and not finally resolved until December 1997. Picker then informed Allen of its discovery. *See* Pet. App. 7(a)).[2] Soon thereafter, in November 1997, Defendants learned that Rousseau II was only one of a series of publications, including earlier publications

2. Allen incorrectly states that he learned this information in 1995. (Pet. 5).

known as Clarysse and Rousseau I, which were effective prior art against Allen's patent application as well as Defendants' claims 1 and 22. Defendants offered to withdraw their previous objection to the consideration of Rousseau II so long as the PTO considered the entire series of prior art references. In their final briefing, Defendants argued that the series of prior art references rendered Allen's claims unpatentable, and conceded that for consistency '457 patent claims 1 and 22 would also be invalid. (Pet. App. 8a).

Although Allen persists in accusing Defendants of misconduct in the PTO, neither the PTO, the district court, nor the Federal Circuit has ever found that any of Allen's accusations had merit. For example, Allen claims that Defendants knew "during all relevant times" that the '457 patent was invalid. (Pet. 6). In the hope of finding support for this accusation, Allen filed a motion in the district court seeking to compel the production of privileged documents based on the crime-fraud exception. After permitting Allen to select numerous documents from Defendants' privilege log for review, the district court denied Allen's motion by memorandum opinion dated September 15, 1999, concluding:

> The main point of contention is the intent element. The Court finds that the Plaintiff has made no showing with respect to this requirement of the crime-fraud exception. Furthermore, after careful review of a sampling of these documents in camera, *this Court is convinced that none of the documents were prepared in furtherance of withholding material information from the PTO* that would have otherwise prevented the patent from issuing. Rather, the documents at issue were prepared in the regular and ordinary course of dealings between a client and its attorney.[3]

3. Emphasis is added to quoted material unless noted to the contrary.

Similarly flawed is Allen's contention that Defendants acted in bad faith because they admitted in the PTO that "claims" of the '457 patent were invalid. (Pet. 7). Allen ignores that Defendants had moved to separate claims 2-21 of the '457 patent from the subject matter of the interference and that Allen had never opposed this motion. Thus, during the time when the marketplace references to the '457 patent occurred, Defendants always believed that the patent would survive the interference with at least most of its claims intact.

Allen also seeks to reargue his meritless claim that Defendants' July 1997 motion, challenging Allen's procedurally improper motion relating to Rousseau II, constituted a bad faith attempt to "keep [the Rousseau II] reference away from" the PTO. (Pet. 7). Again, neither the PTO, the district court, nor the Federal Circuit ever found that Defendants acted in bad faith by challenging Allen's defective motion. On the contrary, the PTO's final decision implicitly acknowledged that Allen's motion was improper, stating that the PTO had elected to "exercise its discretion to consider the issues of patentability raised by the parties subsequent to the above [preliminary motions] period, *even though the issues may not otherwise be entitled to consideration.*" Moreover, as noted above, Defendants offered to withdraw their opposition to Allen's improper motion so long as the PTO considered *all* the relevant prior art as applicable to both parties, and not just that on which Allen relied against Defendants. Rather than fault Defendants for this position, the PTO did as Defendants had suggested in considering all the relevant prior art.

On December 5, 2000, the PTO issued its final decision. The PTO unanimously vindicated Defendants' offensive position by finding Allen's claims unpatentable. As to Defendants' defensive position, by a two to one margin, the PTO denied Defendants' motion to find claims 2-21 separately patentable

and then held that all of the claims of the '457 patent were invalid.[4] Despite the PTO's divided decision, the '457 patent retained its presumption of validity until December 5, 2000, long after the marketplace references at issue.

E. Allen's Claims of Marketplace Misconduct

In October 1998, while the interference was pending, Allen filed suit in the district court claiming that Defendants "obtained a patent in the same field as Dr. Allen which significantly devalued" Allen's technology. However, tort claims for money damages cannot be based on conduct in the PTO, either in obtaining a patent or participating in an interference. Therefore, Allen attempted to frame his causes of action in terms of harm supposedly caused by Defendants' marketplace references to the '457 patent. Specifically, Allen alleged that Defendants had "falsely identified" their own marker as "protected by the '457 patent," that this "false representation" had disparaged Allen's marker and tortiously interfered with his prospective business relationship with Picker by "adversely affecting the sale price" of Allen's technology in their September 9, 1997 agreement. In his amended complaint, filed in July 1999, Allen similarly alleged that Defendants' "false representations" identifying the '457 patent had depressed the value of his technology in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1998).

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4. The majority found that Defendants had not met their burden of proof to establish separate patentability in part because they had not addressed the impact of the three new prior art references in their motion to separate claims 2-21 from the interference. However, this prior art had come to light in 1997, several months after Defendants filed their motion. Moreover, Allen did not oppose the motion even in final briefing. The dissenting judge stated that he would grant Defendants' motion in light of Allen's failure to file an opposition or to address in final briefing why the motion should be denied.

After over two years of discovery Allen could point to only three allegedly damaging marketplace references to the '457 patent: (1) references in August 1996 by HLI representative Frank Murdock in responding to a telephone call from James McNally of Picker, (2) a reference in a January 1996 user's manual for HLG's marker, which Murdock provided to McNally following McNally's call; and (3) a reference in a 1998 "Technique Guide" for the marker.

With regard to the 1996 phone call, McNally of Picker, who led the negotiations that resulted in the acquisition of Allen's technology, telephoned Murdock of HLI after learning about the Defendants' implantable marker through a trade publication. Murdock believed that Picker (McNally) was a prospective purchaser of HLG's marker. McNally, who was operating under a non-disclosure agreement with Allen, never mentioned Allen or ACUSTAR®. And by McNally's own admission, Murdock likewise did not mention Allen or ACUSTAR®. McNally admittedly never felt threatened during that or any other communication between Picker and Defendants. Picker made no decisions regarding Allen's technology based on this ten-minute phone call. (LCR L48-L55).

Murdock then sent the 1996 user's manual to McNally, who forwarded it to Picker's in-house patent lawyers along with the patent itself for full evaluation. Picker did not rely on, and was not "deceived" by the patent reference, in deciding to acquire Allen's technology. By the time Picker entered into the September 1997 agreement, Picker had fully apprised itself of the '457 patent, the interference, the German revocation, and Rousseau II, and independently determined what it thought Allen's technology was worth.

The 1998 Technique Guide was published long after Allen and Picker concluded their agreement in September 1997. The Technique Guide could not have affected the price paid to

Allen by Picker. There was no evidence that Picker even saw the Technique Guide.

After it became apparent that Defendants' marketplace statements were accurate, did not deceive Picker, and did not depress the price that Allen received for his technology in 1997, Allen developed a fall-back claim that he never pled: i.e., that Defendants' marketplace references caused Picker not to commercialize his technology. This claim was also without merit. After acquiring Allen's technology, Picker encountered a series of regulatory, manufacturing, sterilization, packaging, distribution, and clinical issues in attempting to ready the product for market. Then, in mid 1998, Picker's relationship with Allen deteriorated due to Allen's refusal to accept a settlement of the interference, offered by Defendants, on terms that would have allowed Picker to commercialize the ACUSTAR® markers free from any concern as to an adverse ruling by the PTO. By December 1999, Allen's rejection of attempts to resolve the interference led Picker to conclude that Allen and his contingent fee lawyers were more interested in suing Pfizer than in commercializing his technology, a prioritization that Picker did not share. (LCR L39). Thus, Allen's complaint that he was "forced to bring this action because Defendants' acts foreclosed competition in the medical device field" (Pet. 6) is contrary to the record.

F. The District Court's Grant of Summary Judgment

Following discovery, Defendants filed a motion for summary judgment on several grounds, including that their marketplace statements were not false, did not deceive Picker, and were not relied on by Picker to Allen's detriment. (LCR L2-L4). While stating that the issue of bad faith "need not be decided" for the district court to rule in their favor, Defendants' opening brief repeatedly denied Allen's accusations of bad faith. (E.g., LCR L5 n.5, L6-L14 & n.15). In his answering

brief, Allen responded to Defendants' contentions by setting forth his evidence and argument on the issue of bad faith as well as the issues of lack of falsity, deception, reliance, or causation of damages. (LCR L16-L25).

The district court granted Defendants' motion for summary judgment, finding that Allen's evidence failed to raise a genuine issue of material fact that Defendants' representations were made in bad faith. *Allen v. Howmedica Leibinger, Inc.*, 197 F. Supp. 2d 101 (D. Del. 2002) (Pet. App. 17a-19a). Allen's contrary claim, that the district court found issues of fact regarding bad faith (Pet. 9), misstates the record. Because Allen's state law claims and his Lanham Act claims were based on the same marketplace statements regarding the '457 patent, and because bad faith is a necessary element of such claims, the district court granted summary judgment in favor of Defendants on all counts on the issue of bad faith alone. The district court did not need to reach Defendants' contentions regarding lack of reliance, materiality, or causation of damages.

G. The Federal Circuit's Judgment of Affirmance

On appeal to the Federal Circuit, Allen argued that he did not have notice that the issue of bad faith could be resolved against him. Defendants demonstrated that Allen had notice, that the district court's ruling on bad faith was correct on the merits, and that the district court's judgment could also be affirmed on alternative grounds that the district court did not need to reach. At oral argument, the panel addressed the issue of bad faith and Allen's claimed lack of notice, and also the alternative grounds supporting summary judgment.[5]

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5. Oral arguments before the Federal Circuit are not transcribed but recorded on audiotape. Excerpts from Defendants' transcription of the recording of oral argument in this case are attached as Resp. App. 4a-9a.

On January 15, 2003, the Federal Circuit issued a per curiam judgment of affirmance without opinion pursuant to Fed. Civ. R. 36. The judgment of affirmance was stamped non-precedential pursuant to Fed. Cir. R. 47.6, thus signifying the panel's unanimous view that the decision would not add significantly to the body of law. While Allen states that the judgment was by a "panel majority" (Pet. 10), there was no indication that any judge dissented. (Pet. App. 1a-2a).

On January 30, 2003, Allen filed a Combined Petition for Rehearing and Petition for Rehearing En Banc with a memorandum detailing his objections to the panel's ruling. On February 24, 2003, after consideration by the panel and all Federal Circuit judges in regular active service, the Court issued an order denying Allen's petition, also without dissent. This order was also designated non-precedential pursuant to Fed. Cir. Rule 47.6. (Pet. App. 21a-22a).

REASONS FOR DENYING THE PETITION

Allen attempts to establish two of the grounds identified in Supreme Court Rule 10 as warranting further review by this Court. First, Allen contends that the Federal Circuit so far departed from binding precedent as to call for exercise of this Court's supervisory power. Second, Allen contends that the Federal Circuit's judgment of affirmance, without opinion, presents an important question of constitutional due process and equal protection regarding non-precedential opinions. Neither contention has merit or presents a compelling reason for Supreme Court review.

I. The Judgment of Affirmance Is Supported by the Record and Consistent with Well-Settled Law.

Under Fed. Cir. Rule 36, the Federal Circuit may issue a judgment of affirmance without opinion when it determines that any of several conditions exist and that an opinion would have no precedential value. (Resp. App. 1a). Here, where the

affirmance dealt with a summary judgment, the applicable conditions are that the "the record supports summary judgment" and/or that the "judgment or decision" of the district court "has been entered without an error of law." Fed. Cir. Rules 36(c) and (e). (Resp. App. 1a). Thus, the Federal Circuit's judgment of affirmance was grounded on one or both of the following conclusions: (1) that the record and the law supported summary judgment on the issue of bad faith; and/or (2) that the record and the law supported summary judgment on alternative grounds that were fully aired in both the district court and the Federal Circuit.

The Federal Circuit's judgment of affirmance is supported by the record and correct as a matter of law. Allen presented no evidence that raised a genuine issue that the marketplace statements at issue were made in bad faith, after having notice of the issue and briefing it in both his opposition to Defendants' motion and in support of his own motion for summary judgment. Also, the record supports summary judgment for Defendants on the independent grounds of lack of reliance, materiality, or causation of damages.

A. The Marketplace Statements Were Not Made in Bad Faith.

To prevail on a Lanham Act claim, Allen was required to establish, *inter alia*, that Defendants made "a false and misleading statement of fact in commercial advertising or promotion" that "actually deceives or is likely to deceive a substantial segment of the intended audience," that was "material in that it is likely to influence purchasing decisions," and that "results in actual or probable injury." *Zenith Electronics Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1348 (Fed. Cir. 1999). In addition, "before a patentee may be held liable under Section 43(a) for marketplace activity in support of its patent, and thus be deprived of the right to make statements about potential infringement of its patent, the marketplace activity must have been undertaken in bad faith." 182 F.3d at 1353. On Defendants' motion for

summary judgment, Allen's evidence on bad faith was to be viewed through the prism of his evidentiary burden at trial, *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254 (1986), which was the high burden of clear and convincing evidence. *See Zenith*, 182 F.3d at 1352 (federal antitrust claims); *Mirafi Inc. v. Murphy*, 18 U.S.P.Q.2d 1087, 1088-89 (Fed. Cir. 1991) (state unfair competition claims).

Liability under the Lanham Act and state law causes of action can be imposed on a patentee only "for *marketplace statements* regarding infringement and scope of its patent." *Zenith*, 182 F.3d at 1354. The gravamen of a Lanham Act claim is "marketplace misconduct, *not abuse of the administrative and judicial process*." *Id.* at 1349. The remedy for patent procurement through alleged bad faith inequitable conduct is "the traditional remedy of having the patent adjudged unenforceable" but "not a suit for unfair trade practices under the Lanham Act." *Id.* Thus, Allen's claim that his technology was devalued by the prosecution or interference proceeding in the PTO was invalid as a matter of law. The only permissible theory of recovery was Allen's inherently implausible claim that Picker relied on Defendants' three marketplace references in making million dollar decision regarding Allen's technology. *See Matsushita Elec. Indus. Co., v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) ("if the factual context renders [the non-movants'] claim implausible—if the claim is one that simply makes no economic sense–[the non-movants] must come forward with more persuasive evidence to support their claim than would otherwise be necessary").

Under the standards set forth by the Federal Circuit in *Zenith*, *supra*, and in *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891 (Fed. Cir. 1998), the Federal Circuit was compelled to affirm the district court's finding of no bad faith. The Federal Circuit considers three factors in determining whether a patentee's marketplace statements are in bad faith.

First, since "bad faith is not supported when the information is objectively accurate," a "threshold showing of incorrectness or falsity, or disregard for either, is required in order to find bad faith in the communication of information about the existence . . . of patent rights." 165 F.3d at 897. Second, because "'bad faith' may encompass subjective as well as objective considerations," the tenor and purpose of the patentholder's notice is relevant. *Id.* Third, allegations of bad faith must be considered in light of the patentee's rights under the patent laws, whereby a patentee "is fully permitted to press those rights 'even though he may misconceive what those rights are.'" *Id.* (quoting *Kaplan v. Helenhart Novelty Corp.*, 182 F.2d 311, 314 (2d Cir. 1950)).

First, the Defendants' marketplace statements were objectively accurate. As the district court recognized, "three things are clear: (1) all of Defendants' actions involve communications relating to their patent rights; (2) Defendants' technology was protected by the '457 patent when all communications at issue occurred; and (3) the '457 patent is presumed to be valid." (Pet. App. 12a-13a). Allen argued that Defendants acted in bad faith after "knowledge of the German revocation — *and therefore of the invalidity of the Leibinger patent*" had been conveyed to them. However, the district court correctly applied well-settled law in concluding that such an argument was "specious" because of the differences between foreign patent laws and procedures and those of the United States. (Pet. App. 18a-19a).

Second, the Defendants threatened no one. Their references to the existing '457 patent in the 1996 and 1998 brochures merely identified the patent applicable to HLG's marker, without a single assertion regarding infringement or scope of the patent. *See Zenith*, 182 F.3d at 1354. As discussed above, Murdock simply picked up the phone and offered to sell a product when McNally of Picker called. McNally never felt threatened by anything Murdock said, and there was no evidence that

Defendants ever threatened anyone else with infringement. Allen makes much of Murdock's "no problem" remark during the August 1996 phone conversation, contending that it was a bad faith threat that Defendants had a strong patent position. However, McNally admitted that he was not even sure if Murdock meant there was "no problem" as to the '457 patent or "no problem" as to HLI's willingness to sell the product to Picker or anyone else. (LCR L54). There was no evidence that Murdock, a non-lawyer, knew of the German opposition in August 1996. Even if that remark could be considered misleading, the district court found it wholly inadequate to create a genuine issue of material fact as to bad faith, and the Federal Circuit had compelling grounds to affirm.

Finally, the patent laws permitted Defendants to reference the '457 patent while they pressed their rights in the interference to preserve most of their claims and attack Allen's competing claims. *See, e.g.*, 35 U.S.C. § 282 ("Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim"); 35 U.S.C. § 253 ("Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid").

The Federal Circuit had ample grounds to affirm the district court's finding that Allen had failed to present evidence raising a genuine issue that Defendants had acted in bad faith in referencing their '457 patent in their 1996-1998 marketplace statements.

B. Allen Had Notice of, and Presented His Evidence on, the Issue of Bad Faith.

Allen's claim of lack of notice that he could lose on the issue of bad faith fails in light of the record demonstrating

that Allen exhaustively briefed the issue in opposing Defendants' motion and in support of his own cross-motion. In their opening brief, Defendants "identif[ied] evidence which [they] believe[d] demonstrate[d] the absence of a genuine issue of material fact" on the issue of bad faith, *Equimark Commercial Finance Co. v. C.I.T. Financial*, 812 F.2d 141, 144 (3d Cir. 1987) (*citing Celotex Corp. v. Catrett*, 477 U.S. 317 (1986)), and Allen responded in his answering brief by presenting his evidence and argument on the issue. Nevertheless, even if these two briefs alone did not establish adequate notice, the briefs and the record filed in support of the parties' cross motions, taken as a whole, demonstrated that Allen was on notice that the issue of bad faith could be resolved against him and that Allen had and took his "opportunity to present relevant evidence in opposition to the granting of summary judgment" on that issue. *Chambers Development Co. v. Passaic County Utilities Authority*, 62 F.3d 582, 584 n.5 (3d Cir. 1995); *see also Massey v. Del. Laboratories Inc.*, 118 F.3d 1568, 1572-73 (Fed. Cir. 1997) (court may grant summary judgment to mon-moving party so long as the losing party received a "full and fair opportunity to ventilate the issues on which the district court granted judgment")

In their opening brief in support of their motion for summary judgment, filed January 19, 2001, Defendants denied that they had acted in bad faith even as they stated that the court need not resolve that issue to grant their motion in light of the record demonstrating lack of falsity, reliance or causation of damages. For example, Defendants denied that they had engaged in any improper misrepresentation (LCR L3), denied that the '457 patent was inequitably obtained (LCR L5 n.5), supplied evidence supporting their contention that they "always maintained that despite the prior art, at least the narrow claims of the '457 patent are separately patentable" (LCR L8 n.15), and asserted that "it certainly is not legally actionable for [Defendants] to pursue a strategy that prevented the issuance of an invalid patent to

Allen, that might have issued but for [Defendants'] interference success." (LCR L14). Contrasting their actions to those that the *Zenith* court stated would give rise to a claim of bad faith, Defendants plainly denied that they had taken any action that could give rise to such a claim (LCR L11):

> If Leibinger [i.e., Defendants] had advised Picker that Allen's marker infringed the '457 patent and that Allen could not design around the '457 patent, knowing these statements were false, Allen might have a remedy under the Lanham Act [citing *Zenith*, 182 F.3d at 1354-55], ... *But Leibinger has done none of these things; in fact, Leibinger has done nothing that makes it liable to Allen under any theory, including the Lanham Act.*

Thus, Defendants' opening brief pointed out to the district court — and to Allen — "the absence of evidence to support [Allen's] case" on bad faith. *See Celotex*, 477 U.S. at 325. Allen did not — and could not — ignore Defendants' denials of bad faith conduct. Therefore, in his answering brief in opposition to Defendants' motion, filed February 26, 2001, Allen set forth his alleged "Facts that Dispute Leibinger's Contention" on the issue of bad faith (LCR L20-L23) and devoted a separate section of his brief to the contention that "Defendants Acted in Bad Faith" (LCR L24-L25). Then, relying on the same evidence that he set forth in his answering brief in opposition to Defendants' motion, Allen reargued the issue of bad faith in his opening brief filed in support of his own motion for partial summary judgment on his Lanham Act claim, also filed on February 26, 2001. Attempting to have it both ways, Allen claimed that he did not need to address bad faith in his opposition brief because Defendants had not specifically moved on that issue. But having responded to Defendants' denials of bad faith with his evidence and argument in his answering brief, Allen was on notice that the issue was in play in both motions.

On March 29, 2001, Defendants filed their reply in support of their own motion and their answering brief in opposition to Allen's. In their reply, Defendants noted that Allen's arguments in his answering brief (which included bad faith) mirrored those in Allen's opening brief in support of his own motion, and that Defendants addressed those contentions in their answering brief in opposition to Allen's motion as well as in their reply. (LCR L30). In their answering brief, Defendants "designated numerous specific facts that would compel any reasonable jury to find *in their favor*" on the elements of Allen's Lanham Act claim, including bad faith. (LCR L41, L34-L40). Again, Allen was on notice that the issue of bad faith could be resolved against him.

In his reply brief filed April 27, 2001, Allen had the last opportunity to address all of Defendants' evidence and arguments on bad faith, and he attempted to do so. The district court fairly concluded, on the basis of the six briefs filed over a four month period, with thousands of pages of exhibits, that "the parties arguments in support of and in opposition to the instant Motions virtually mirror one another." (Pet. App. 10a n.4).

Allen has never identified, either to the Federal Circuit or to this Court, the evidence of bad faith that he supposedly chose to withhold, believing it not worthy of inclusion either in his discussion of bad faith in his answering brief in opposition to Defendant's motion or in support of his own summary judgment motion. Instead, Allen claims that he did not need to address the issue because Defendants "conceded" their bad faith through isolated phrases in their *reply* brief in support of their motion. (Pet. 3, 7, 8, 9). Defendants made no "concession" regarding bad faith in this brief, and the courts below were never misled by Allen's arguments in that regard. While Defendants emphasized that the district court did not need to reach the issue, noting that Allen's accusations of bad faith were not "relevant"

to their original motion, Defendants responded with two pages of argument as to why "Allen's accusations of bad faith . . . are wholly without merit." (LCR L27-L29). Allen's claim that Defendants' "conced[ed] their own bad faith" is plainly contrary to the record. (Pet. 7). Rather, Allen's attempts in his answering brief to respond to Defendants' denials of bad faith in their opening brief was a clear concession that Allen had notice that Defendants disputed his accusations of bad faith and that he had an opportunity, which he took, to address that issue in opposing Defendants' motion.

Allen incorrectly asserts that the Federal Circuit's "opinion" in this case is contrary to *Chambers*, *supra*, and the Federal Circuit's non-precedential opinion in *Bemis Mfg. Co. v. Dornoch Medical Sys., Inc.*, 21 Fed. Appx. 930 (Fed. Cir. 2001). (Pet. 10, 12). The judgment of affirmance without opinion is not inconsistent with either *Chambers* or *Bemis* because the facts in the instant case sharply differ from the facts that compelled reversal in those cases. Defendants' denial of bad faith in their opening brief in support of their motion, compelling Allen to come forward in his answering brief with his evidence and arguments regarding bad faith, stands in stark contrast to the circumstances discussed in *Chambers* and *Bemis*. In those cases, the district court's grant of summary judgment was truly *sua sponte* because the defendant had addressed the dispositive issue only in opposing plaintiff's motion for summary judgment and had not referred to the issue in its own motion for summary judgment. In addition, here, the Federal Circuit had clear alternative grounds on which to affirm the district court's summary judgment even if it agreed with Allen's contention as to notice on the issue of bad faith. *See* Section I.C, *infra*. That was not the case in either *Chambers* or *Bemis*.

In sum, Allen fully ventilated the issue of bad faith by responding to Defendants' evidence and argument in both his brief opposing Defendants' motion and his briefs in support of

his own motion. *Chambers* and *Bemis* are clearly distinguishable on their facts. Allen has no basis to accuse the Federal Circuit of ignoring Third Circuit precedent or of acting out of "bias" in order to protect Defendants' "patent rights" (even though the PTO had long since declared the '457 patent invalid). (Pet. 13-14).[6]

C. The Judgment of Affirmance Was Also Warranted on Alternative Grounds.

Allen's attack on the Federal Circuit's judgment of affirmance incorrectly assumes that the Federal Circuit could affirm only on the issue of bad faith. Allen ignores that the Defendants' Federal Circuit brief, and the Court's questioning at oral argument, focused as well on the alternative grounds raised in Defendants' summary judgment motion that the district court did not need to reach, including lack of reliance, materiality, and lack of causation of damages. It is well settled that the Federal Circuit could affirm the district court's grant of summary judgment on these grounds or on any "arguments supported by the record and advanced in the trial court in support of the judgment as an appellee." *E.g.*, *Bailey v. Dart Container Corp. of Michigan*, 292 F.3d 1360, 1362 (Fed. Cir. 2002); *Kabakjian v. United States*, 267 F.3d 208, 213 (3d Cir. 2001) (court "may affirm a judgment on any ground apparent from the record, even if the district court did not reach it").

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6. Allen also incorrectly claims that Defendants neglected to move on the issue of whether their statements, if not false, might have been misleading, and that this separate cause of action "had to be resolved" in order for Defendants to prevail on summary judgment. (Pet. 7, 11). Defendants did not move on a "misleading" cause of action because Allen did not include it in his pleadings but rather injected it into his summary judgment briefs as a fall-back contention. The absence of bad faith negates liability whether the claim is founded on "false" or "misleading" statements. Moreover, Defendants raised other grounds for summary judgment, including lack of reliance, materiality or causation, that were independently dispositive. (LCR L3-L4).

Defendants demonstrated, in both the district court and the Federal Circuit, that Allen failed to present evidence that the allegedly false marketplace statements actually deceived the intended audience, that any alleged deception caused by the statement was "material," and that the statements "result[ed] in actual or probable injury." *Zenith*, 182 F.3d at 1348. Allen's allegation that Picker relied to Allen's detriment on McNally's August 1996 phone call to Murdock, and the 1996 user's manual, is inherently implausible. Such claim is wholly without merit light of Picker's exhaustive due diligence regarding the German proceeding, Rousseau II, and the interference proceeding, prior to making its purchasing decision in September 1997. On every substantial aspect of Allen's contention that Picker was deceived, Picker's 30(b)(6) designee McNally testified that before signing the September 1997 agreement, Picker was aware of the facts, had consulted with its counsel, and had taken those facts into account before entering into the agreement. Indeed, Picker expressly provided in the 1997 agreement that Allen was expected to win the interference and that there would be a downward adjustment of the royalty rate if Allen did not prevail — hardly the act of a consumer deceived by Defendants' mere patent references.

Allen also failed to present any evidence that the alleged "deception" caused by the marketplace statements was "material in that it [was] likely to influence purchasing decisions." *Zenith*, 182 F.3d at 1348; *U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia*, 898 F.2d 914, 922 (3d Cir.), *cert. denied*, 498 U.S. 816 (1990). Allen presented no evidence that the any of the marketplace statements were material to Picker's purchasing decision or its decision not to commercialize Allen's technology.

To recover damages, Allen was required to "prove both actual damages and a causal link between defendant's violation and those damages." *Rhone-Poulenc Rorer Pharmaceuticals, Inc. v. Marion Merrell Dow, Inc.*, 93 F.3d 511, 515 (8th Cir.

1996). Where, as here, plaintiffs have failed to present evidence of injury caused by marketplace statements, courts have not hesitated to grant summary judgment dismissing unfair competition claims. *Dethmers Mfg. Co. v. Automatic Equip. Mfg. Co.*, 70 F. Supp. 2d 944, 981 (N.D. Iowa 1999), *aff'd in part, rev'd in part on other grounds*, 272 F.3d 1365 (Fed. Cir. 2001); *Accent Designs, Inc. v. Jan Jewelry Designs, Inc.*, 827 F. Supp. 957, 965 (S.D.N.Y. 1993).

The following colloquy at oral argument illustrates the Federal Circuit's concern regarding Allen's failure to establish a genuine issue as to reliance, materiality, or causation of damages (Pet. App. 4a-6a):

> JUDGE NEWMAN: So how can Dr. Allen have been injured when everybody knew soon enough, early in these proceedings, that [there] were these taints . . . ? Not taints, problems. . . .
>
> [colloquy follows]
>
> You're seeking damages, right?
>
> MR. WELLS [Allen's Counsel]: That's correct. And our damages are based in part on the fact that Picker, a licensee, *would not sell the product which would have resulted in license fees to Dr. Allen until this patent issue was resolved in their favor.*[7] So he's damaged by the fact that no sale would ever be made until this, this conduct stopped.

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7. By this statement, Allen again concedes that the alleged complicating factor for Picker was not any marketplace statement by Defendants, but the interference proceeding before the PTO. Under *Zenith*, claims such as this that are based on PTO proceedings, rather than marketplace statements, cannot give rise to a cognizable cause of action under either the Lanham Act or state unfair competition laws.

JUDGE MICHEL: But wasn't the questions about the patent cleared up by research, rather than by relying on what Murdock said in one short telephone call?

MR. WELLS: Unless the owners of the patent . . . disclaim it, or unless a court finds a patent invalid, anyone who manufactures, uses or sells product is still at risk. . . .

JUDGE MICHEL: . . . If I'm McNally, and let's assume I'm told by Murdock: "We've got a patent, it's rock solid. . . ." and I say "Well, that's what he says but I've got my own lawyer, I'm going to have my own lawyers check this out," and then his lawyers tell him whatever they tell him. In that circumstances, aren't I, Picker's people, McNally, relying on my own lawyer's conclusion, not on the oral representations in a brief phone call by Murdock? Just as a matter of common sense . . . .

MR. WELLS: I don't know what their lawyers told them. . . .

JUDGE MICHEL: But is it not the case that Picker did its own research? . . . Whatever Murdock said, . . . after that the Picker people did their own research and drew their own conclusions? Is that not a fact?

MR. WELLS: I – there is some evidence in the record that the Picker people did some of their own research, that's true. They still concluded that they were at risk.

JUDGE MICHEL: Yeah, but the conclusion in that event would be based on their own research, not on what Murdock said. So what Murdock said has no operative effect.

In sum, the Federal Circuit had ample grounds to affirm the district court's summary judgment on the issues of lack of reliance, materiality, and causation, as well as lack of bad faith.

II. Allen's Constitutional Attack on the Judgment of Affirmance Is Meritless.

Allen argues that the Federal Circuit's judgment of affirmance without opinion and its order denying Allen's petition for rehearing violated the Fifth Amendment because they were designated non-precedential under Fed. Cir. Rule 47.6(b). Allen asks that Rule 47.6(b) be stricken and, by implication, that similar rules in other courts be declared unconstitutional. (Pet. 14, 16).

As a threshold matter, Allen's attack on Rule 47.6 is wholly misplaced. The judgment of affirmance in this case was issued under Fed. Cir. R. 36 without opinion. Allen's Petition does not properly raise a challenge to the constitutionality of non-precedential opinions for the simple reason that there is no opinion at issue here that has been designated non-precedential. Allen's misplaced attack on non-precedential opinions would have far-reaching implications, as local rules "limiting the precedential effect of unpublished decisions exist in every federal circuit and all but four states." *Hart v. Massanari*, 266 F.3d 1155, 1163 n.7 (9th Cir. 2001). If the issue of the constitutionality of non-precedential opinions were worthy of certiorari at all, at the very least, the issue should be presented in the context of a case in which a non-precedential opinion was actually issued. This is not such a case.

Allen does not directly challenge the practice of issuing judgments of affirmance without opinion, presumably because the practice is universally recognized as proper. The governing statute, 28 U.S.C. § 46(c), merely requires that cases be "heard and determined." The Federal Rules of Appellate Procedure provide for judgments without opinion in every

circuit. Fed. R. App. P. 36(a)(2). Federal courts of appeal have uniformly held that "a litigant's right to have all issues fully considered and ruled on by the appellate court does not equate to a right to a full written opinion on every issue raised." *Bernklau v. Principi*, 291 F.3d 795, 801 (Fed. Cir. 2002); *United States v. Baynes*, 548 F.2d 481, 483 (3d Cir. 1977) (disposition by order without opinion withstood due process challenge); *Furman v. United States*, 720 F.2d 263, 264 (2d Cir. 1983) (no requirement that order be accompanied by opinion); *N.L.R.B. v. Amalgamated Clothing Workers*, 430 F.2d 966, 971-972 (5th Cir. 1970) (same). Allen does not refer to a single decision questioning the constitutionality of judgments of affirmance without opinion. Where, as here, Allen had every opportunity to make his arguments and to respond to the Federal Circuit's detailed questioning regarding the weaknesses in his case, Allen cannot reasonably claim that the judgment of affirmance without opinion deprived him of due process or equal protection.

Even if Allen's Petition had properly placed before the Court a question relating to the constitutionality of non-precedential opinions, that question is not one that compels the attention of this Court. Non-precedential decisions are not necessarily "arbitrary" and/or "unfair" as Allen claims. (Pet. 14, 17). Courts of appeal have recognized that non-precedential opinions "do not give the judiciary free will to reinvent the law; they merely permit a judgment about whether a case contributes significantly to the body of law." *Symbol Technologies, Inc. v. Lemelson Medical*, 277 F.3d 1361, 1368 (Fed. Cir.), *cert. denied*, 123 S. Ct. 113 (2002); *Hart*, 266 F.3d at 1177. The only decision that Allen relies upon as questioning non-precedential decisions was vacated as moot. (Pet. 16).

Allen argues that the only value in a non-precedential opinion is that it allows a court to "hide its mistakes" (Pet. 16). Not only is this argument insulting, it also ignores the fact that

"[s]ufficient restrictions on judicial decisionmaking exist to allay fears of irresponsible and unaccountable practices such as 'burying' inconvenient decisions through nonpublication." *Hart*, 266 F.3d at 1177-78 n.35. In this case, for example, three experienced judges reviewed Allen's contentions, and every active judge on the Federal Circuit reviewed Allen's petition for rehearing *en banc*. The vote of any single member of the panel or the Court *en banc* would have been sufficient to require that a precedential opinion be issued. Fed. Cir. R. 47.6(b). (Resp. App. 3a-4a).

Allen's argument also ignores the value of non-precedential opinions in enabling the federal courts of appeals to effectively manage their ever-increasing caseload. In light of this concern, in 1972 the Judicial Conference requested that all federal appellate courts develop an opinion publication plan, the result being the approval, by all the circuits, of non-precedential decisions. *See Symbol Technologies*, 277 F.3d at 1368. The need to select only a "manageable number of cases in which to publish precedential opinions," *Hart* at 1177, is compelling, given the staggering caseload of the federal courts of appeals. Allen ignores this justification for not only Federal Circuit Rule 47.6(b), but all similar local rules.

Allen utterly fails to substantiate his accusation that the judgment of affirmance without opinion in this case was unconstitutionally arbitrary or unfair. The Federal Circuit had grounds to affirm the district court's summary judgment on several issues, and Allen's accusation that the Court ignored controlling precedent is baseless. Allen's attempt to inflate his disagreement with the lower courts' decisions into a violation of his Fifth Amendment rights is without merit and presents no compelling reason for Supreme Court review.

CONCLUSION

For the foregoing reasons, Allen's Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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